

House File 606 - Introduced

HOUSE FILE 606

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 514)

(SUCCESSOR TO HSB 97)

A BILL FOR

1 An Act establishing a motor vehicle insurance verification
2 program, establishing fees, and including penalty and
3 effective date provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 321.11, subsection 3, Code 2015, is
2 amended to read as follows:

3 3. Notwithstanding other provisions of this section to the
4 contrary, the department shall not release personal information
5 to a person, other than to an officer or employee of a law
6 enforcement agency, an employee of a federal or state agency
7 or political subdivision in the performance of the employee's
8 official duties, a contract employee of the department of
9 inspections and appeals in the conduct of an investigation, or
10 a licensed private investigation agency or a licensed security
11 service or a licensed employee of either, if the information is
12 requested by the presentation of a registration plate number.
13 However, the department may release personal information to the
14 department's designated agent for the purposes of chapter 321B.
15 In addition, an officer or employee of a law enforcement agency
16 may release the name, address, and telephone number of a motor
17 vehicle registrant to a person requesting the information by
18 the presentation of a registration plate number if the officer
19 or employee of the law enforcement agency believes that the
20 release of the information is necessary in the performance of
21 the officer's or employee's duties.

22 Sec. 2. NEW SECTION. 321B.1 **Short title.**

23 This chapter shall be known and may be cited as the "*Motor*
24 *Vehicle Insurance Verification Act*".

25 Sec. 3. NEW SECTION. 321B.2 **Definitions.**

26 As used in this chapter, unless the context otherwise
27 requires:

28 1. "*Database*" means the motor vehicle insurance verification
29 database created under this chapter.

30 2. "*Department*" means the department of transportation.

31 3. "*Designated agent*" means the third party with which the
32 department contracts under section 321B.3.

33 4. "*Financial institution*" means financial institution as
34 defined in 18 U.S.C. §20.

35 5. "*Motor vehicle*" means motor vehicle as defined in section

1 321.1.

2 6. "Program" means the motor vehicle insurance verification
3 program created under this chapter.

4 Sec. 4. NEW SECTION. 321B.3 Motor vehicle insurance
5 verification program.

6 1. A motor vehicle insurance verification program is
7 created within the department to be administered by the
8 department. The purposes of the program include all of the
9 following:

10 a. To establish a motor vehicle insurance verification
11 database to verify compliance with the requirements of section
12 321.20B.

13 b. To assist in reducing the number of uninsured motor
14 vehicles on the highways of the state.

15 c. To assist in increasing compliance with motor vehicle
16 registration requirements and for other law enforcement
17 purposes.

18 d. To assist in protecting the bona fide security interests
19 of financial institutions in motor vehicles.

20 2. The department shall contract with a third party to act
21 as the department's designated agent for administration of this
22 chapter. The designated agent shall establish and maintain a
23 computer database containing the following information:

24 a. Information provided by insurers under section 321B.5.

25 b. Information provided by the department under subsection
26 5.

27 c. Any other information provided by the department pursuant
28 to this chapter.

29 3. The database shall be developed and maintained in
30 accordance with guidelines established by the department by
31 rule to allow authorized state and local law enforcement
32 agencies and financial institutions to efficiently access the
33 records of the database, including reports useful for the
34 implementation of this chapter.

35 a. Database reports shall be in a form and contain

1 information approved by the department.

2 *b.* Database reports may be made available through the
3 department's internet site or through other electronic media
4 if the department determines that sufficient security is
5 provided to ensure compliance with the provisions of this
6 chapter regarding limitations on disclosure of information in
7 the database.

8 4. At least twice monthly, the designated agent shall do the
9 following, using information provided by the department:

10 *a.* Update the database with motor vehicle insurance
11 information provided by insurers in accordance with section
12 321B.5.

13 *b.* Compare all current motor vehicle registrations against
14 the database.

15 5. On or before the seventh day of each calendar month, the
16 department shall provide the designated agent with the make,
17 model, year, and vehicle identification number of each vehicle
18 in the department's motor vehicle database, and the name and
19 address of each person listed on each vehicle's registration.

20 6. The department shall adopt rules in accordance with
21 chapter 17A establishing procedures for using the department's
22 motor vehicle database for the purposes of administering and
23 enforcing this chapter.

24 7. *a.* The designated agent shall archive database files at
25 least semiannually for auditing purposes.

26 *b.* The department shall audit the program at least annually.
27 The audit shall include verification of:

28 (1) Billings made by the designated agent.

29 (2) The accuracy of the designated agent's matching of
30 vehicle registration records with insurance data.

31 Sec. 5. NEW SECTION. 321B.4 **Enforcement of financial**
32 **responsibility requirements — penalty.**

33 1. If records in the database indicate that a registered
34 motor vehicle is not covered under an owner's policy of
35 liability insurance for three consecutive months, at the

1 direction of the department, the designated agent shall provide
2 notice by first-class mail to the owner of the motor vehicle
3 that the owner has fifteen days from the date the notice was
4 mailed to provide one of the following:

5 *a.* Proof of financial liability coverage as defined in
6 section 321.1, subsection 24B.

7 *b.* Proof that the owner is exempt from the requirement to
8 maintain proof of financial liability coverage under section
9 321.20B.

10 2. If, after fifteen days, the owner of the motor vehicle
11 fails to provide satisfactory proof of financial liability
12 coverage, the designated agent shall provide a second notice
13 by first-class mail to the owner of the motor vehicle allowing
14 the owner an additional fifteen days from the date the second
15 notice was mailed to provide the information requested under
16 subsection 1.

17 3. *a.* The designated agent shall update the database
18 regarding each notice sent to a motor vehicle owner under
19 subsections 1 and 2, indicating the information provided by the
20 motor vehicle owner or the owner's failure to provide proof of
21 financial liability coverage, as applicable.

22 *b.* If the owner of a motor vehicle provides proof to the
23 department or the designated agent that the owner's motor
24 vehicle is covered by an acceptable form of financial liability
25 coverage described in section 321.1, subsection 24B, paragraph
26 "b", "c", or "d", the information shall be recorded in the
27 database.

28 4. *a.* If the owner of a motor vehicle fails to provide
29 proof of financial liability coverage following receipt of the
30 second notice under subsection 2, the designated agent shall
31 notify the department, and the department shall revoke the
32 registration of the motor vehicle.

33 *b.* The department shall provide to the owner of the motor
34 vehicle appropriate notice of the revocation, order the owner
35 to surrender the registration plates and registration receipt

1 for the vehicle to the county treasurer, advise the owner of
2 the legal consequences of operating a vehicle with revoked
3 registration and without financial liability coverage, and
4 instruct the owner on how to reinstate the vehicle registration
5 once the owner has obtained financial liability coverage for
6 the vehicle.

7 5. *a.* A person shall not provide a false or fraudulent
8 statement to the department or the department's designated
9 agent in regard to proceedings under this chapter.

10 *b.* In addition to any other penalties, a person who violates
11 paragraph "a" is guilty of a simple misdemeanor.

12 6. A revocation of registration under this chapter is in
13 addition to any other penalty imposed by law. This chapter
14 does not affect other actions or penalties that may be taken or
15 imposed for a violation of section 321.20B or other law.

16 7. *a.* A registration that has been revoked under this
17 section shall not be reinstated and a new registration shall
18 not be issued to the holder of the revoked registration until
19 the person does all of the following:

20 (1) Pays to the department an administrative reinstatement
21 fee of one hundred dollars, in addition to any other penalty
22 imposed by law.

23 (2) Complies with the requirements of section 321.20B and
24 this chapter.

25 *b.* Reinstatement fees collected under this subsection
26 shall be retained by the department as repayment receipts as
27 defined in section 8.2 and shall be used exclusively to offset
28 the costs of administering the program. Fees collected by
29 the department that are in excess of the amount necessary for
30 administration of the program shall be transferred to the road
31 use tax fund annually on June 30.

32 **Sec. 6. NEW SECTION. 321B.5 Motor vehicle insurance**
33 **reporting — penalty.**

34 1. *a.* Except as provided in paragraph "b", each insurer
35 that issues a policy to a motor vehicle owner in this state

1 that includes motor vehicle liability coverage, uninsured
2 motorist coverage, underinsured motorist coverage, or
3 personal injury coverage shall, on or before the seventh
4 and twenty-first days of each calendar month, submit to the
5 department's designated agent a record of each motor vehicle
6 insurance policy that was issued by the insurer and in effect
7 for a vehicle registered or garaged in this state as of the
8 date of the previous submission.

9 *b.* An insurer is not required to provide a record of a motor
10 vehicle insurance policy under paragraph "a" if the policy
11 covers a vehicle that is registered under chapter 326.

12 *c.* This subsection does not preclude more frequent
13 reporting.

14 2. A record provided by an insurer under subsection 1,
15 paragraph "a", shall include all of the following:

16 *a.* The name, date of birth, and driver's license number, if
17 the insured provides a driver's license number to the insurer,
18 of each insured owner or operator, and the address of the named
19 insured.

20 *b.* The make, year, and vehicle identification number of each
21 insured vehicle.

22 *c.* The policy number and effective date of each policy.

23 3. An insurer shall provide the information required under
24 this section via electronic means or via another means the
25 designated agent agrees to accept.

26 4. *a.* The department may assess a civil penalty of not more
27 than two hundred fifty dollars for each day an insurer fails to
28 comply with this section.

29 *b.* If an insurer shows that the failure to comply with this
30 section was inadvertent, accidental, or the result of excusable
31 neglect, the department may waive the civil penalty.

32 *c.* An insurer that discloses records to the department's
33 designated agent in a reasonable, good-faith effort to comply
34 with the requirements of this section shall not be subject to a
35 civil penalty under paragraph "a".

1 Sec. 7. NEW SECTION. 321B.6 Disclosure of database
2 information — penalty.

3 1. Information provided to the designated agent and
4 information contained in the database under this chapter are
5 confidential. Such information may not be disclosed, except
6 as follows:

7 *a.* For the purpose of investigating, litigating, or
8 enforcing the financial liability coverage requirements
9 of section 321.20B, the designated agent shall provide an
10 electronic record to a state or local government agency or
11 court verifying motor vehicle financial liability coverage
12 information.

13 *b.* For the purpose of investigating, litigating, or
14 enforcing the financial liability coverage requirements of
15 section 321.20B, the designated agent shall, upon request,
16 issue to any state or local government agency or court a
17 certificate documenting motor vehicle financial liability
18 coverage, according to the database, of a specific individual
19 or motor vehicle for the time period designated by the
20 government agency or court.

21 *c.* Upon request, the department or its designated agent
22 shall disclose whether an individual is covered under a motor
23 vehicle insurance policy and the insurance company name to:

24 (1) The individual or, if the individual is deceased,
25 any person who is an interested party in the estate of the
26 individual as provided under chapter 633.

27 (2) The parent or legal guardian of the individual if the
28 individual is an unemancipated minor.

29 (3) The legal guardian of the individual if the individual
30 is legally incapacitated.

31 (4) A person who has power of attorney for the individual.

32 (5) A person who submits a notarized release from the
33 individual dated no more than ninety days before the date the
34 request is made.

35 (6) A person suffering loss or injury in a motor vehicle

1 accident in which the individual was involved, but only as part
2 of an accident report as authorized in section 321.271 relating
3 to access to accident reports.

4 *d.* For the purpose of investigating, enforcing, or
5 prosecuting laws or issuing citations, information related to a
6 motor vehicle owner or operator's financial liability coverage
7 under section 321.20B may be provided to state or local law
8 enforcement agencies.

9 *e.* Upon request of a peace officer acting in an official
10 capacity under the provisions of paragraph "*d*", the department
11 or the designated agent shall, upon request, disclose relevant
12 information contained in the database.

13 *f.* For the purpose of the state auditor conducting audits
14 of the program.

15 *g.* Upon request of a financial institution for the purpose
16 of protecting the financial institution's bona fide security
17 interest in a motor vehicle.

18 2. *a.* The department may allow the designated agent to
19 prepare and deliver, upon request, a report on the insurance
20 information of a person or motor vehicle in accordance with
21 this section. The report may be in the form of:

22 (1) A certified copy that is considered admissible in any
23 court proceeding in the same manner as the original.

24 (2) Information accessible through the internet or through
25 another electronic medium if the department determines that
26 sufficient security is provided to ensure compliance with this
27 section.

28 *b.* The department may allow the designated agent to charge a
29 fee established by the department for each of the following:

30 (1) Authenticating a document, including preparation and
31 delivery of a certified copy.

32 (2) Accessing a record through the internet or through
33 another electronic medium.

34 (3) Providing a record to a financial institution under
35 subsection 1, paragraph "*g*".

1 3. Any person who knowingly releases or discloses
2 information from the database for a purpose other than those
3 authorized in this section or to a person who is not entitled
4 to such information is guilty of a class "D" felony.

5 4. Neither the state nor the department's designated agent
6 is liable to any person for gathering, managing, or using the
7 information in the database in compliance with this chapter.

8 Sec. 8. EFFECTIVE DATE. This Act takes effect July 1, 2016.

9

EXPLANATION

10 The inclusion of this explanation does not constitute agreement with
11 the explanation's substance by the members of the general assembly.

12 This bill establishes a motor vehicle insurance verification
13 program within the department of transportation. The
14 department is required to contract with a third party to act
15 as the department's designated agent for administration of the
16 program.

17 The designated agent is required to establish and maintain a
18 database containing information from insurers relating to motor
19 vehicle insurance coverage for registered motor vehicles, motor
20 vehicle identification information, personal identification
21 information for registered owners of motor vehicles, and any
22 other information provided to the designated agent by the
23 department.

24 At least twice a month, the designated agent shall update the
25 database and compare current motor vehicle registrations with
26 updated insurance information. The files in the database shall
27 be archived semiannually and audited by the department at least
28 annually. The bill requires the department to adopt rules for
29 administration of the database.

30 If database records show that a registered motor vehicle
31 is not covered under an owner's policy of liability insurance
32 for three months, the designated agent shall send a notice to
33 the owner requiring the owner to respond within 15 days by
34 providing proof of financial liability coverage or proof that
35 the owner is exempt from the requirement to maintain financial

1 liability coverage. If the owner fails to respond, a second
2 notice will be sent. If the owner does not respond to the
3 second notice, the owner's motor vehicle registration will be
4 revoked by the department and the owner will be required to
5 surrender the registration plates and registration receipt for
6 the vehicle to the county treasurer. In order to obtain a
7 new registration for the vehicle, the owner must comply with
8 financial responsibility requirements and pay an administrative
9 fee of \$100. The fees are to be used by the department
10 exclusively to offset the costs of administering the program.
11 Any fees in excess of the amount needed for administration of
12 the program are to be transferred to the road use tax fund
13 annually on June 30.

14 The bill provides that if a motor vehicle is covered by a
15 form of financial liability coverage other than an insurance
16 policy, that fact shall be noted in the database.

17 The bill prohibits a person from providing false or
18 fraudulent information to the department or the department's
19 designated agent in relation to the motor vehicle insurance
20 verification program. A violation is a simple misdemeanor.

21 The bill requires each insurer that issues a policy that
22 includes motor vehicle liability coverage, uninsured motorist
23 coverage, underinsured motorist coverage, or personal injury
24 coverage to the owner of a motor vehicle to provide, before the
25 7th and the 21st of each month, to the department's designated
26 agent a record of each motor vehicle insurance policy issued by
27 the insurer and in effect for vehicles registered or garaged in
28 this state as of the date of the previous submission. Vehicles
29 subject to apportioned registration are not included in this
30 requirement. Insurers that fail to comply with the reporting
31 requirement may be assessed a civil penalty of \$250 per day.
32 However, the department may waive the penalty upon a showing
33 that the failure was inadvertent, accidental, or the result
34 of excusable neglect. An insurer that discloses records to
35 the department's designated agent in a reasonable, good-faith

1 effort to comply with the bill is not subject to the penalty.

2 Information contained in the database is confidential,
3 but the bill provides exceptions for disclosures to state or
4 local government agencies and courts for specified purposes;
5 to individuals and certain other authorized persons; for
6 purposes of an accident investigation; to law enforcement
7 agencies and peace officers for certain official purposes;
8 to the state auditor; and to financial institutions with a
9 security interest in a motor vehicle. The designated agent
10 may be authorized to provide certified copies or electronic
11 records, as appropriate, and to charge a fee for the provision
12 of records and authentication of documents.

13 A person who knowingly releases or discloses information
14 from the database for a purpose other than those authorized in
15 the bill or to a person who is not entitled to such information
16 is guilty of a class "D" felony.

17 The bill provides that the state and the department's
18 designated agent are not liable to any person for gathering,
19 managing, or using the information in the database in
20 compliance with the bill.

21 The bill provides for an effective date of July 1, 2016.